

DEVILLE AREA VOLUNTEER FIRE DEPARTMENT, INC.



COMPLIANCE AUDIT

ISSUED FEBRUARY 14, 2007

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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February 14, 2007

**MARK FOSTER, PRESIDENT
DEVILLE AREA VOLUNTEER
FIRE DEPARTMENT, INC.**

Deville, Louisiana

We have audited certain transactions of the Deville Area Volunteer Fire Department, Inc., in accordance with Title 24 of the Louisiana Revised Statutes. Our audit was performed to substantiate or refute allegations of improprieties within the Deville Area Volunteer Fire Department, Inc.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*; therefore, we are not offering an opinion on Deville Area Volunteer Fire Department, Inc., financial statements or system of internal control nor assurances as to compliance with laws and regulations.

The accompanying report represents our findings and recommendations as well as management's response. This report is intended solely for the information and use of the Deville Area Volunteer Fire Department, Inc., and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Copies of this report have been delivered to the Honorable James Downs, District Attorney for the Ninth Judicial District of Louisiana and others as required by law.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

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DEVILLE AREA VOLUNTEER FIRE DEPARTMENT, INC. _____

Unauthorized Payments

During the period January 1, 2003, through March 31, 2006, Ms. Terri O'Neal, former Deville Area Volunteer Fire Department, Inc. (Fire Department) secretary, used 37 unauthorized Fire Department checks to issue payments to herself totaling \$9,866.¹ Ms. O'Neal was responsible for writing checks from the manual checkbook and recording the transaction in the manual check register. In a written statement, Ms. O'Neal admitted to writing the unauthorized checks to herself, cashing the checks, and using the cash for personal expenditures. In addition, the unauthorized checks caused bank charges for daily overdrafts, non-sufficient funds, and returned checks totaling \$402, \$120, and \$260, respectively.

Ms. O'Neal remitted, as reimbursement to the Fire Department, nine postal money orders dated February 3, 2006, totaling \$9,000. In a letter dated March 27, 2006, the Fire Department's Board of Directors terminated Ms. O'Neal's employment.

We recommend the Fire Department develop and implement policies and procedures to ensure that checks are only prepared and signed after proper review and approval by board members and collect any remaining amounts due.

Undocumented Disbursements

For the period January 1, 2003, through March 31, 2006, Ms. O'Neal disbursed \$52,263 in public funds. However, the disbursements were not supported with receipts or invoices; therefore, we could not determine the business purpose, necessity, or reasonableness of the disbursements. According to Ms. O'Neal, all receipts and invoices were located in the Training Center at the time she was terminated from the Fire Department. Upon notification in January 2006, from Ms. O'Neal to the Board President and Fire Chief of the unauthorized checks, Fire Department personnel were instructed to search the Training Center for invoices and receipts. According to Fire Department personnel, no additional records were discovered. Eighty-six checks were written to cash totaling \$35,115. Ms. O'Neal stated that she was given permission by Mr. Ricky Parish, former president of the board, to write the checks to cash. Ms. O'Neal stated that she knew approximately how much a purchased item would cost and would then cash the check at either the Bank of Jena or at Holloway General, LLC. Ms. O'Neal stated that any funds remaining from the purchase would be used to buy fuel for her vehicle. She stated that the Fire Department did not reimburse her for gas or mileage for the use of her private vehicle. Mr. Parish stated that the only time he instructed Ms. O'Neal to write a check to cash was to provide Fire Department personnel funds to attend the Louisiana State Fireman's Association convention. The remaining \$17,148 relates to checks written to 41 vendors totaling \$16,399 and four checks totaling \$749 that we could not determine the payees. None of the \$17,148 in disbursements was supported by receipts or invoices.

¹ Louisiana Revised Statute 14:67 provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

We recommend the Fire Department develop and implement policies and procedures to ensure that all payments are appropriate and serve a public purpose. These policies and procedures should require:

- (1) adequate supporting documentation for all disbursements;
- (2) approval of invoices before payment; and
- (3) all checks are written to a payee and not cash.

Missing Records

During the period January 1, 2003, through March 31, 2006, Ms. O'Neal failed to maintain numerous public documents such as bank statements, the check register, and invoices supporting disbursements. Louisiana law² requires maintaining these documents for at least three years. Louisiana law³ also provides penalties for destroying public records.

We recommend the Fire Department develop and implement policies and procedures to ensure compliance with the state law (Louisiana Revised Statute 44.36).

Financial Accounting and Reporting

The Fire Department does not have written policies and procedures that provide for the nature, extent, and frequency of financial reporting. Louisiana law⁴ requires volunteer fire departments that receive fifty thousand dollars or less in any one fiscal year shall file a certification with the legislative auditor indicating the department received fifty thousand dollars or less for the fiscal year and shall annually file with the legislative auditor sworn financial statements.

Fire Department officials have failed to record the financial transactions in an accounting system, which in turn caused financial statements to go unprepared and therefore not presented to Fire Department officials or filed with the Legislative Auditor's Office. Ms. O'Neil recorded some transactions in the check register; however, deposits were not recorded, some checks were not recorded, disbursements other than checks were not recorded, and a cash balance was not

² Louisiana Revised Statute 44:36 provides, in part, that all persons and public bodies having custody of any public record shall exercise diligence and care in preserving the public record. When a formal retention schedule has not been executed, public records shall be preserved and maintained for a period of at least three years.

³ Louisiana Revised Statute 14:132 provides, in part, that second degree injuring public records is the intentional removal, mutilation, destruction, alteration, falsification, or concealment of any public record. Whoever commits the crime of second degree injuring public records shall be imprisoned for not more than one year with or without hard labor or shall be fined not more than one thousand dollars or both.

⁴ Louisiana Revised Statute 24:513 I.(1)(i)(bb) provides, in part, that any volunteer fire department that receives fifty thousand dollars or less in funds in any one fiscal year shall not be required to have an audit, but shall file a certification with the legislative auditor signed by the president of the volunteer fire department indicating that the department received fifty thousand dollars or less for the fiscal year and shall annually file with the legislative auditor sworn financial statements.

maintained. Without financial information, Fire Department officials are unable to monitor the Fire Department's financial condition.

We recommend the Fire Department develop and implement written financial accounting and reporting policies and procedures. These policies and procedures should require:

- (1) recording all transactions in an accounting system;
- (2) preparing monthly financial statements; and
- (3) presenting the financial statements to Fire Department officials and the legislative auditor.

This information has been provided to the District Attorney for the Ninth Judicial District of Louisiana and others as required by law. The actual determination as to whether an individual is subject to formal charge is at the discretion of the district attorney.

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The Deville Area Volunteer Fire Department, Inc., is a nonprofit and nonpolitical organization whose objective is to provide fire protection and assistance in fighting fires to those persons who are within the proposed areas and to organize a civil defense organization in conjunction with the fire department to aid and assist persons in times of disasters, emergencies or other needs for assistance, and for any other lawful purposes and activities. The communities of Rapides Parish to come under these areas of protection are Deville, Philadelphia, Hickory Grove, Bethel, Barron Chapel, Big Island, and Buckeye. The management of the Deville Area Volunteer Fire Department, Inc., is vested and exercised by a board of directors to consist of the officers and immediate past president of the fire department.

The Legislative Auditor received a letter from a private certified public accountant expressing concern of misappropriation of funds.

The procedures performed during this audit consisted of:

- (1) interviewing officials and the secretary of the volunteer fire department;
- (2) examining selected records of the volunteer fire department;
- (3) performing observations and analytical procedures;
- (4) inquiring other governmental entities; and
- (5) reviewing applicable Louisiana laws.

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Management's Response

DEVILLE AREA VOLUNTEER FIRE DEPARTMENT, INC. _____

DEVILLE AREA VOLUNTEER FIRE DEPT. INC.

1244 HWY 115
P. O. BOX 379
DEVILLE, LA 71328

January 29, 2007

Mr. Steve J. Theriot, CPA
State of Louisiana
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

In response to your letter, dated January 18, 2007, and the accompanying draft compliance audit finding(s) on the Deville Area Volunteer Fire Department, please find the following responses:

UNAUTHORIZED PAYMENTS

We are agreeing to Mrs. O'Neal pay the charges for daily overdrafts, non-sufficient funds, and returned checks totaling \$402, \$120, and \$260, respectively.

We will be implementing policies and procedures for future checks such as requiring two (2) signatures from three (3) authorized board members for any checks written on the Deville Volunteer Fire Department checking account.

UNDOCUMENTED DISBURSEMENTS

All checks to have attached receipts or invoices.

Board approval on invoices before payment.

No check to be written to Cash.

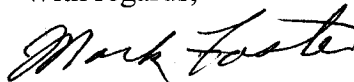
MISSING RECORDS

We have developed policies and procedures to ensure compliance with Louisiana Revised Statute 44.36.

FINANCIAL ACCOUNTING AND REPORTING

We are developing written financial accounting and reporting policies and procedures.

With regards,



Mark Foster

President

Deville Area Volunteer Fire Dept.